

April 11, 2002

NORTHERN UTILITIES, INC.,
Proposed Tariff for Automatic Metering
Device Charges

Order

I. Summary

In this Order we approve a requested tariff change by Northern Utilities, Inc., specifying the telemetering costs for unbundled transportation customers and providing smaller transportation customers the option of paying for the additional metering costs up-front or through a monthly surcharge.

II. BACKGROUND

In a September 3, 1999 Order in *Northern Utilities Inc., Request for approval of Rate Design and Partial Unbundling Proposal*, Docket No. 97-393, the Commission approved unbundled gas transportation service for all of Northern Utilities' (Northern or NU) Commercial and Industrial customers. However, under the Transportation Terms and Conditions of NU's Tariff (Page 30.13), transportation service customers are required to have an automated metering device installed. Specifically, the terms and conditions state:

The Company will provide and service, at the Customer's expense, at the Point of Delivery to the Customer, a device that the Company will attach to its metering equipment for the purpose of monitoring Gas Usage. ... The Customer is responsible for any associated cost including the monthly service charge. Transportation service shall not commence until the automated metering equipment is in place and operational.

However, the tariff includes neither a specific cost of such devices nor the amount of the monthly service charge. The tariff also does not indicate whether the cost of the meter and its installation is part of the monthly service charge or, alternatively, whether the customer would be required to pay for the cost of installing the meter upfront and with only ongoing operations and maintenance charges to be collected through the monthly service charge.

Northern's practice has been to install two different types of automated meters depending on the size of the customer. For larger transport customers, Northern installs an instrumented meter and charges customers \$1,400 upfront for the meter and installation plus a monthly service charge of \$6.00 to cover maintenance costs. Smaller customers receive a less sophisticated non-instrumented (or commercial) meter and are charged an upfront fee of \$545 plus the \$6.00 monthly fee.

In late 2001, two competitive suppliers contacted the Commission and expressed a concern that the \$545 upfront fee was, in their view, a significant impediment to smaller customers who wished to take transportation service. After discussing the issue with Staff, both suppliers indicated that they believed it would be better if smaller transport customers had the option of paying the charge as part of the monthly service charge as an alternative to a one-time upfront payment.

III. NORTHERN'S FILING

After consultation with Staff, Northern concluded that it would be appropriate to make two changes to its policies. First, Northern proposes to reduce the upfront costs of a non-instrumented automated metering device from \$545 to \$475. Second, Northern will provide any customers who require non-instrumented meters with the option of paying a monthly surcharge of \$8.50 rather than making the up-front payment. Finally, to make these charges apparent to customers, Northern proposes adopting a new tariff sheet which places the up-front and monthly telemetering costs directly in the tariff.

Under Northern's proposal, larger customers who require the more expensive instrumented meters still must pay the full \$1,400 metering fee upfront with no option of paying a monthly surcharge in lieu of the one-time charge. For these customers, the only change is that the specific upfront and monthly charges would become an explicit component of the tariff.

IV. ANALYSIS AND CONCLUSION

Upon review, we believe the changes that Northern proposes are reasonable. The reduction in the upfront fee more closely reflects Northern's actual costs and is the same as the charge assessed in Northern's New Hampshire division.

Offering smaller customers the option of two payment options also appears justified. The competitive providers who raised the issue have indicated that this is a satisfactory solution from their perspective. We consider an \$8.50 monthly surcharge to be reasonable compensation for a meter costing \$475, installed.¹

Finally, we accept Northern's conclusion that there is no need to offer a similar payment option to larger customers. For these customers, metering costs are a very small percentage of their gas costs and there is no evidence that a \$1,400 up-front charge is discouraging customers who might otherwise find unbundled transportation service attractive.

¹ This monthly payment is consistent with the cost of financing \$475 over a period of 5 ½ years at an interest rate of 6%. Five and one-half years appears to be roughly the correct usable life of such a meter. A 6% interest rate is reasonable estimate of Northern's marginal cost of financing small investments at likely future interest rates.

Accordingly, we

O R D E R

That Northern Utilities, Inc's new tariff sheet, Original Page 30.14 filed on March 18, 2002, to become effective on May 1, 2002, is approved.

Dated at Augusta, Maine, this 11th day of April, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Nugent
 Diamond

COMMISSIONER ABSENT: Welch

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.